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DEPARTMENT OF AUDITOR-CONTROLLER

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J. TYLER McCAULEY
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CHIEF DEPUTY

August 30, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley Wm
Auditor-Controller

SUBJECT: **AVIVA FAMILY AND CHILDREN'S SERVICES CONTRACT REVIEW – A DEPARTMENT OF CHILDREN AND FAMILY SERVICES WRAPAROUND APPROACH SERVICES PROGRAM PROVIDER**

We have conducted a fiscal review of Aviva Family and Children's Services (Aviva or Agency), a Wraparound Approach Services (Wraparound) program provider.

Background

The Department of Children and Family Services (DCFS) contracts with Aviva, a private non-profit community-based organization, to provide and operate the Wraparound program. The Wraparound program is a family-centered and needs-driven program providing individualized services to children and their families such as, therapy, housing, educational, and social assistance. The target population for the Wraparound program includes children who are currently or at risk of being placed in a Rate Classification Level of 12 to 14 group home, Metropolitan State hospital, etc. Aviva's offices are located in the Second and Third Districts.

DCFS paid Aviva on a fee-for-service basis $4,184 per child, per month. Aviva was paid approximately $1.1 million for Fiscal Year 2006-07.

Purpose/Methodology

The purpose of the review was to determine whether Aviva complied with its contract terms and appropriately accounted for and spent Wraparound funds in providing services to children and their families. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

Results of Review

Overall, Aviva provided the services in accordance with the County contract. Aviva's program expenditures were generally allowable, properly documented and accurately billed to the Wraparound program as required. Aviva also maintained appropriate internal controls over its business operations. However, the Agency inappropriately included their allocated costs of mortgage interest and depreciation for a facility not related to the administration function. As a result, Aviva over charged DCFS $2,551 in January 2007.

The details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with Aviva on August 28, 2007. In their attached response, Aviva management concurred with our findings and recommendations. We also notified DCFS of the results of our review.

We thank Aviva for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Patricia S. Ploehn, Director, Department of Children and Family Services
Susan Kerr, Chief Deputy Director, Department of Children and Family Services
Andrew R. Diamond, CEO, Aviva Family and Children's Services
Public Information Office
Audit Committee

WRAPAROUND APPROACH SERVICES
AVIVA FAMILY AND CHILDREN'S SERVICES
FISCAL YEAR 2006-07

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in Aviva's records and deposited timely in the Agency's bank account. In addition, determine whether the Agency maintained adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the bank reconciliation for December 2006.

Results

Aviva maintained adequate controls to ensure that cash receipts and revenues are properly recorded and deposited cash receipts in a timely manner.

Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT

Objective

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records, and reviewed documentation for 28 non-personnel expenditure transactions billed by the Agency from January 2006 to January 2007, totaling $29,368.

Results

Aviva's program expenditures were allowable, properly documented and accurately billed to the Wraparound program as required.

Recommendation

There are no recommendations for this section.

INTERNAL CONTROLS

Objective

Determine whether the contractor maintained sufficient internal controls over its business operations.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals and tested transactions in various areas such as cash, expenditures, payroll and personnel.

Results

Aviva maintained sufficient internal controls over its business operations.

Recommendation

There are no recommendations for this section.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures are appropriately charged to the Wraparound program. In addition, determine whether personnel files are maintained as required.

Verification

We reviewed payroll expenditures totaling $6,481 for seven employees for March 2007. We also reviewed the personnel files of the seven staff assigned to the Wraparound program.

Results

Aviva's salaries were properly supported and appropriately charged to the Wraparound program. The Agency also maintained personnel files as required by the County contract.

Recommendation

There are no recommendations for this section.

COST ALLOCATION PLAN

Objective

Determine whether Aviva's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed Aviva's Cost Allocation Plan and selected a sample of expenditures to ensure that the expenditures were properly allocated to the Agency's programs.

Results

Aviva's Cost Allocation Plan was prepared in accordance with the County contract. However, the Agency inappropriately included their allocated costs of mortgage interest and depreciation for a facility not related to the administration function. As a result, Aviva over charged DCFS $2,551 in January 2007. The issue of over allocating indirect costs to Wraparound program was also noted in the prior year's monitoring review.

Recommendations

Aviva management:

1. **Repay DCFS $2,551.**

2. **Review the mortgage interest and depreciation expenses charged to Wraparound program for FY 2006-07 and return the over allocated amount to DCFS.**

3. **Ensure that indirect costs are allocated according to the Cost Allocation Plan and the County contract.**

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from the FY 2005-06 monitoring review were implemented. The report was issued in June 2006.

Results

The prior year's monitoring report contained four recommendations. Aviva implemented three (75%) of the four recommendations. As indicated earlier, the recommendation related to allocating indirect costs was not implemented.

Recommendation

4. **Aviva management implement the outstanding recommendation from the FY 2005-06 monitoring report.**

Aviva Family and Children's Services

Incorporated as Hamburger Home. Founded 1915

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August 28, 2007

J. Tyler McCauley
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Department of Auditor-Controller
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Subject: Aviva Family and Children's Services Contract Review

This letter is in response to the audit report issued by the Auditor-Controllers office in relation to our Wraparound contract with the Department of Children and Family Service's.

I would like to thank the Auditor-Controllers office for their time and patience while conducting the audit, as well as all of the positive feedback we received.

I would like to further address the findings brought up in the report:

1. Cost Allocation Plan

Aviva's Cost Allocation Plan was prepared in accordance with the County contract. However, the agency inadvertently included their allocated costs of mortgage interest and depreciation for a facility not related to the administrative function. As a result, Aviva billed DCFS $2,551 in January 2007 in error.

Corrective Action

Aviva allocated all the interest on its administrative building to the indirect costs pool and subsequently charged all the programs by the percentage of salaries by program to over-all salaries. There have been some programs that have operated out of the administrative building and

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Aviva overlooked the restructuring of its allocation to charge costs by square footage rather than charging all interest to the indirect cost pool.

Since the audit, Aviva now allocates the mortgage interest and depreciation by square footage of use of the building to correctly charge these costs to the various programs.

2. Prior Year Follow Up

As discussed above, this issue is now corrected.

If you need anything else, feel free to contact me.

Sincerely,

Thomas Bernal
Chief Financial Officer

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